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ABSTRACT

The Small Business Administration (SBA) and its functions were evaluated from the perspective of the agency's principal constituency--small business owners. A telephone survey of 1,250 randomly selected members of the National Federation of Independent Business provided data. Small business owners usually recognized the SBA by name but had limited knowledge of it and its programs. Although SBA had a positive image among small business owners, it was usually perceived by them to have had no impact on their businesses. Three of four small business owners believed that the constituency SBA is supposed to serve is "small business owners in general," but only 3 in 10 believed that this is the group SBA actually serves. Those whose views of SBA were principally shaped by reading were the most positive toward the agency; those whose views were principally shaped by personal contact were the least positive. One-third of small business owners had had contact with SBA, mostly in reference to its financial assistance programs. The SBA function that had broad support as a legitimate role for government was advocacy. Small business owners believed their lobbyists should allocate SBA issues a middle priority. (The survey is appended. Eighteen tables are provided.) (YLB)

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NFIB® SMALL BUSINESS EVALUATES SBA

JUNE 1984

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SMALL BUSINESS EVALUATES SBA

JUNE 1984

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Foreword

This study is an evaluation of the Small Business Administration and its functions from the perspective of the agency's principal constituency--small business owners. It is based on data collected through a telephone survey of 1,250 randomly selected members of the National Federation of Independent Business (NFIB). Small business owners interviewed were contacted at their places of business between April 12 and April 18, 1984, and administered a questionnaire by the executive interview staff of V. Lance Tarrance and Associates, a professional survey and marketing firm headquartered in Houston, Texas.

The demographic profile of interviewed small business owners can be found in the Appendix at the end of this report. Within reason, that profile reflects the small business universe as the universe can best be constructed. The primary exception is "length of time in business." Small business owners interviewed on average have held their businesses for a longer period than have the universe. Logically, that additional experience should have made the sample population somewhat more aware and knowledgeable about SBA and its activities. However, data produced in the report show that not to be the case. If ownership longevity influenced other relationships, no evidence appeared to support it.

Time constraints prohibited the solicitation of comments on the proposed study from non-NFIB sources. The exception was SBA itself. Unfortunately, SBA was unable to respond meaningfully in the allocated period. The survey questionnaire, therefore, was developed to answer three fundamental questions which were of particular interest to NFIB:

1. How do small business owners perceive the Small Business Administration?

2. What do small business owners believe to be government's legitimate functions vis-a-vis small business?

3. What priority do small business owners assign issues involving the Small Business Administration?

SMALL BUSINESS EVALUATES THE SMALL BUSINESS ADMINISTRATION

by

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Executive Summary

* SBA enjoyed a substantial degree of name recognition among its small business constituency. However, few had more than passing familiarity with the agency or its programs.

* SBA had a positive overall image among small business owners. That image appeared to be based on what the agency was perceived to be rather than on what it had done.

* SBA was usually perceived by small business owners to have had no impact on their businesses. Those perceiving themselves as impacted evaluated the impact as positive by a 3-1 margin.

* Three of four small business owners interviewed believed that the constituency SBA is supposed to serve is "small business owners in general." Only three in ten believed that is the group SBA actually serves.

* Those small business owners whose views of SBA were principally shaped by reading, the media, etc., were the most positive toward the agency; those small business owners whose views of SBA were principally shaped by personal contact were the least positive.

* One-third of small business owners interviewed have had contact with SBA at some time. Most of those contacts have been in reference to the agency's financial assistance programs.

* The only existing function (or activity) of SBA that had broad support as a legitimate role for government was advocacy. Small business owners were divided in varying degrees over the propriety of other SBA functions (or activities).

* There existed a substantial difference among owners of the very smallest small businesses and the very largest small businesses over the legitimacy of government as the provider

of various services to small firms. The former on balance supported existing SBA functions (or activities) as appropriate for government, while the latter on balance took the opposite view.

* The most trusted sources for obtaining marketing and management advice were considered to be private business consultants and retired business owners.

* Small business owners believed their representatives (lobbyists) should allocate SBA and SBA issues a middle priority. Some issue areas, such as taxation, were assigned higher priorities than SBA. Others, such as anti-trust/competition, were assigned lower priorities.

Recognition and Familiarity with the Small Business Administration

Small business owners usually recognized the Small Business Administration (SBA) by name, but had limited knowledge of the agency and its programs. While a healthy 93% of small business owners interviewed had heard of SBA, only three-quarters (74%) of that group or 68% of the total population ventured an opinion regarding the agency's overall performance. Uncertainty and uncharacteristic indecision among substantial percentages of those interviewed typically intruded on evaluations of agency activities (see Chart 1). For example, twenty-seven percent (27%) of those aware of SBA could not or would not identify the agency's greatest strength; 34% could not or would not identify its greatest weakness. Nearly one quarter (22%) were either uncertain or could not identify which group or groups of small firms were the primary recipients of SBA assistance. Just less than half of those recognizing the agency by name classified themselves as "Very Familiar" (6%) or "Somewhat Familiar" (43%) with SBA and its programs (Table 1). Thus, while there existed a broad level of SBA awareness among the agency's small business constituency, the depth of awareness was minimal.

There appeared no direct relationship between length of business ownership and knowledge of SBA. Reviewing Table 1, those owners with 1-2 years of ownership felt just as familiar with SBA and its programs as did those with more than 10 years. That is surprising. It normally would be assumed that the longer in business, the greater the exposure to various influences on a business and the business community--hence a greater awareness of SBA.*

* It is possible trade association membership affected the level of SBA awareness, particularly in the earlier years of business ownership. Since the entire sample consisted of NFIB members, the data can provide no insight into this question.

Chart 1

SMALL BUSINESS OWNER UNCERTAINTY
IN EVALUATIONS OF SBA

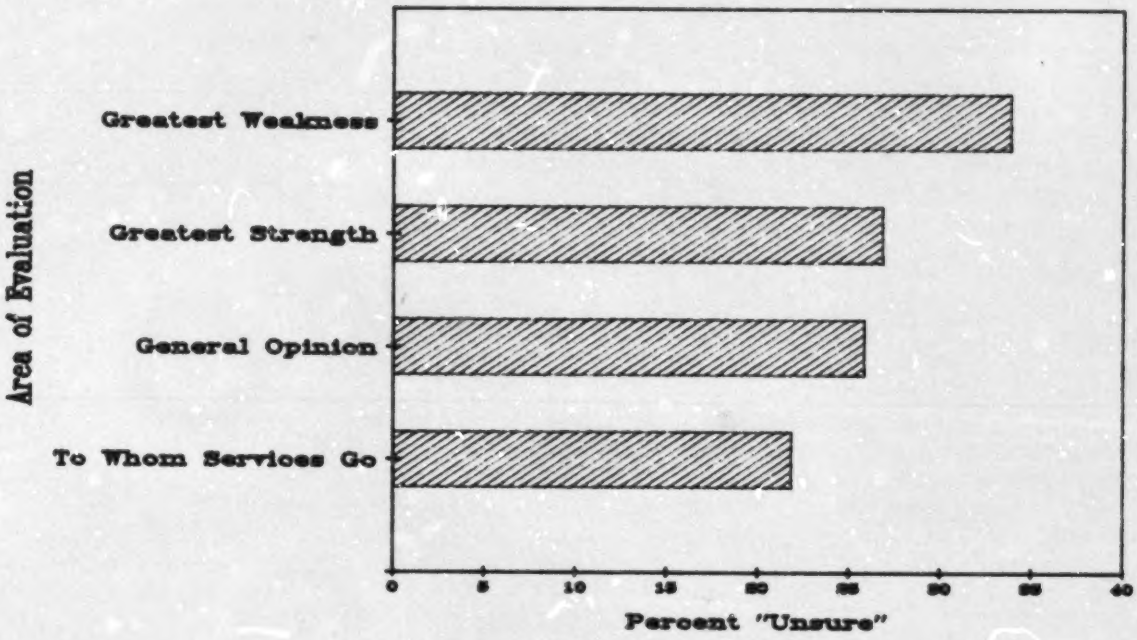


Table 1

FAMILIARITY WITH SBA AND ITS PROGRAMS BY LENGTH
OF BUSINESS OWNERSHIP

	LENGTH OF OWNERSHIP					
FAMILIARITY	Less than One Year	1-2 Years	3-5 Years	6-10 Years	More than 10 years	All Owners Aware Of SBA
Very Familiar	3	3	6	7	6	6
Somewhat Familiar	24	42	42	45	44	43
Not Too Familiar	60	44	35	38	36	37
Not At All Familiar	13	11	17	10	14	14
	100%	100%	100%	100%	100%	100%

The exception appeared to be those owners in their first year of business. Just 81% had heard of SBA - 12 percentage points lower than the total population. Twenty-seven percent (27%) of the first year owners classified themselves as "Very Familiar" or "Somewhat Familiar" - 22 percentage points below figures for the total population. A similar pattern emerged throughout all other questions which measured awareness. Since the number of respondents in the first year classification was so small (N=37, 3% of the sample), these data provided no more than suggestive evidence. However, it is not unreasonable to believe that the very newest business owners had not yet had sufficient longevity to be fully integrated into the flow of business information channels.

Those who have contacted SBA for one reason or another feel considerably more familiar with the agency than those who had not. Over two thirds (70%) of owners making a contact at some point in their business lifetimes classified themselves as "Very Familiar" or "Somewhat Familiar," in contrast to 38% of those who have never had a contact. Such results were to be expected. Experience with the agency should increase knowledge of it. In fact, it would be most unusual for a small business owner to have a large degree of familiarity without some personal experience.

Small Business Owners Evaluate SBA

Those small business owners aware of SBA held favorable opinions on the agency by a 2 1/2-1 margin over those who held unfavorable opinions (Table 2). Just over half (53%) possessed a favorable view, 18% a strongly favorable view. In contrast, only 21% possesed an unfavorable view, including 10% with a strongly unfavorable view. That positive attitude didn't vary noticeably by region of the country, size of business, industry, or duration of ownership. But a whopping 26% remained uncertain. If those unaware of the agency are presumed to be "uncertain" as well, the neutral response rose to 32% - almost one-third of the total sample. Thus, while those holding views on SBA were considerably more positive than negative, not only does a substantial portion of opinion remain open to development, the positive view could command no more than a plurality of those interviewed.

One important influence on a substantial number of small business owners was contact with SBA. However, from SBA's perspective, the influence was negative. Note on Table 2 that a little over 50% of small business owners held a favorable view of the agency. The group with at least one SBA contact was similar to the group which had had none in this regard. The difference between the two groups arose in the distribution of neutral and negative responses. Contact with SBA in aggregate percentages appeared to slide a substantial number from the undecided to the negative classification. Among those with a contact, the number of "unsures" was halved and those with a negative view doubled. As will be repeatedly noted, contact tended to polarize views on the agency.

Table 2

AN SBA CONTACT BY OPINION OF SBA

OPINION	AN SBA CONTACT: Contact	AN SBA CONTACT: No Contact	All Owners Aware of SBA
Strongly Favorable	21	17	18
Favorable	32	35	35
Unsure	16	32	26
Unfavorable	14	9	11
Strongly Unfavorable	17	7	10
	100%	100%	100%

This overall positive view of SBA is somewhat surprising in light of the modest impact the agency was perceived to have had. Three of four small business owners interviewed reported that SBA had had no effect on their businesses (Table 3). However, of those that did report an impact, 75% considered that impact to have been a positive one.

Table 3

SBA'S EFFECT ON SELECTED GROUPS OF SMALL BUSINESS OWNERS

EFFECT	GROUPS OF SMALL BUSINESS OWNERS: With SBA Contact	Without SBA Contact	All Aware of SBA	All Owners
Very Positive	14	3	7	6
Slightly Positive	16	12	13	12
Neutral	1	4	3	3
No Effect	58	77	70	73
Slightly Negative	5	3	4	3
Very Negative	6	1	3	3
	100%	100%	100%	100%

The perceived lack of impact helped explain the comparative lack of familiarity with the agency. What remained curious was the 15% which had had no contact with SBA and yet reported the agency had had a positive impact on their individual businesses. It is conceivable that this group of respondents made the sophisticated

distinction between a direct contact, e.g. stopping in an office, and a third party contact, e.g. picking up SBA pamphlets at a trade show. More likely is the prospect that they believed the agency was providing assistance to their businesses in some indirect manner, such as advocacy or procurement operations. The point of this distinction is that there existed a positive collective frame of reference from which small business owners made their evaluations, a frame of reference not necessarily developed from SBA contacts.

Small business owners were asked to evaluate the greatest strength and weakness of SBA. The results can be found in Table 4. The most frequently cited greatest strength was considered to be SBA's concern for small business people (29%). That was followed by "Unsure" (27%). Only with third greatest frequency (22%) came the answer for which the agency was supposedly created, i.e. the provision of useful services. In other words, just one of four chose the material answers of service and service delivery as SBA's greatest strength. The remainder chose the "soft" answers or simply wouldn't commit.

Table 4

SBA'S GREATEST STRENGTH AND WEAKNESS
BY CONTACT WITH THE AGENCY

PERFORMANCE CHARACTERISTIC	STRENGTH	WEAKNESS
Concern for Small Business	29	14
With SBA Contact	26	17
No SBA Contact	32	12
Integrity/Impartiality	6	14
With SBA Contact	6	16
No SBA Contact	6	13
Provides Useful Services	22	9
With SBA Contact	28	9
No SBA Contact	20	9
Efficient Service Delivery	3	24
With SBA Contact	3	29
No SBA Contact	3	21
None	12	6
With SBA Contact	18	6
No SBA Contact	9	6
Unsure	27	34
With SBA Contact	20	23
No SBA Contact	31	40
	100%	100%

The greatest weakness was similarly viewed. While the concrete or material answers rose to 33%, (efficient service delivery was the most often cited at 24%), "soft" and non-committal answers dominated. In fact "Unsure," at 34%, was the most frequently recorded response.

Again, experience with the agency in the form of at least one contact made a difference. The number of "Unsure" fell substantially both in evaluating strengths and weaknesses (Table 4). Those feeling SBA provided useful services was 8 percentage points higher among those who reported a contact, but the number who evaluated SBA's greatest strength as "None" was twice as large (18%). The dramatic change in evaluation of the greatest weakness occurred in efficent delivery of services. Those without a contact believed the efficient delivery of services was the agency's primary weakness in 21% of the cases. A contact increased that figure 8 percentage points.

Evaluations of strengths and weaknesses reinforce not only the idea that small business owners have no clear perceptions of agency performance, but also the idea that the services provided may not be the services desired. It seemed strange that so little emphasis was given by small business owners to the services provided while so much emphasis was placed on concern for small business people.

To Whom Are Services Provided

There existed a clear difference in the minds of small business owners between the groups for whom SBA is supposed to provide services and the groups to whom SBA actually provides services (Table 5). Overwhelmingly, small business owners believed the agency is supposed to assist small business owners in general (74%). To a lesser extent owners of new and very small firms are viewed as the proper recipient groups (11%). Other classes of owners barely registered. But when asked to identify which groups SBA actually helps, the preponderance of small business owners did not feel small business owners in general were the classification assisted. Only 29% believed they were, 45 percentage points less than those who believed they should be. The number of "unsure's" rose from 5% to 22%, providing additional evidence that small business owners have a much clearer idea of what the agency should be doing than what the agency is actually doing. The most significant change in the two evaluations occurred in the Minority/Women class. Only 2% of the population believed minorities and women were supposed to be the primary recipient of SBA services, but one of four (25%) believed that was the group receiving the services. Such a view was held with considerably greater frequency by those who had had an SBA contact (33%) than those who had had none (21%).

Self-interest often plays a role in evaluations of who should and who actually does receive various benefits. Reviewing Table 6, it appears self-interest frequently did enter the evaluations, but not with the consistency expected.

Table 5

GROUPS SBA IS SUPPOSED TO AND ACTUALLY DOES HELP BY CONTACT WITH THE AGENCY

SMALL BUSINESS OWNER POPULATION	SUPPOSED TO HELP	ACTUALLY HELPS
Owners in Financial Trouble	6	10
With SBA Contact	7	9
No SBA Contact	5	10
Minority and Women Owners	2	25
With SBA Contact	2	33
No SBA Contact	2	21
Owners in General	74	30
With SBA Contact	73	27
No SBA Contact	74	31
Owners of New/Very Small Firms	11	7
With SBA Contact	12	7
No SBA Contact	11	7
Other	2	6
With SBA Contact	3	8
No SBA Contact	1	5
Not Sure	5	22
With SBA Contact	3	16
No SBA Contact	6	25
	100%	100%

Table 6

INTENDED AND REALIZED SBA ASSISTANCE BY SELECTED SELF-INTEREST CLASSES

SELF-INTEREST CLASS	SELF-INTEREST CLASS'S SELF-EVALUATION		TOTAL POPULATION	
	Intended	Realized	Intended	Realized
Owners in General	74%	29%	74%	29%
Ownership: Less Than One Year	27	10	11	7
Gross: Under $100K	10	7	11	7
Minorities	6	20	2	25
Women	2	16	2	25

Owners in general thought they should be the beneficiary in 74% of the cases, but only 29% actually believed they were. Those in business less than one year believed new/very small businesses should be the target, but only about 1/3 of that number actually believed they were. Minority and women interviewees responded somewhat differently, however. Neither differed markedly from the population in general over who should be the beneficiary of SBA assistance. The difference occurred in the perception of who actually received benefits. Nine percentage points fewer women believed women/minorities actually were the primary beneficiaries of agency assistance than did the population as a whole; minorities registered a five percentage point difference.

A large portion of small business owners believed they should be eligible for agency assistance, but properly or improperly felt they were not. As might have been expected, small business owners with this combination of views held considerably less favorable opinions of the agency than did the total respondent population. The important point, however, was not that these owners felt they should have been and were not the recipients of SBA assistance. Rather the important point was that whenever a mismatch occurred over "who should" and "who does" receive SBA assistance (subsequently referred to as the "improperly focused" group), the overall opinion of SBA was likely to be considerably less positive than whenever a match occurred ("properly focused" group).

Chart 2 illustrates the difference in overall opinion of SBA held by the properly and improperly focused groups. Note only 43% of the improperly focused group held a favorable view of the agency, in contrast to 78% of the properly focused group. At the opposite end of the scale, 26% of the improperly focused group voiced an unfavorable opinion, contrasted to just 7% for the others.

The large gap in the perception of who should and who actually does receive SBA assistance appears to have considerably eroded the agency's reputation among its constituency. Whether those perceptions are accurate or inaccurate are inconsequential for the present evaluation. They become important only if someone wishes to change them.

Sources of Small Business Owner Views of SBA

The opinions expressed on SBA were developed from a variety of sources. No single source appeared to dominate. Thirty-four percent (34%) reported the principal basis for their opinion was personal experience; 30% identified reading materials and media reports; 18% indicated conversations with others in business ("word of mouth"); 10% responded from the experience of friends or acquaintances; and the remainder either pointed to other sources or weren't sure.

Those whose views were primarily formed by the media seemed to be the group most favorably disposed to the agency (Table 7). The

Chart 2

OPINION OF SBA BY VIEWS
ON THE FOCUS ON SBA ACTIVITIES

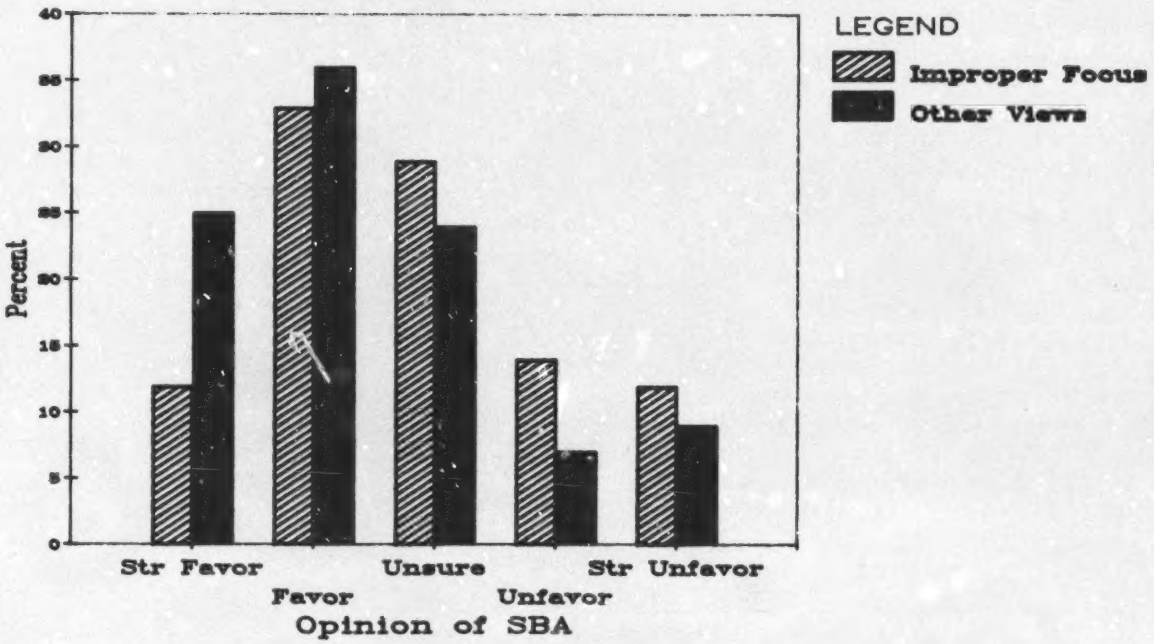


Table 7

OPINION OF SBA BY PRIMARY
SOURCE OF OPINION

PRIMARY SOURCE FOR OPINION	OPINION OF SBA: Very Favorable	Favorable	Unfavorable	Very Unfavorable	All Owners Aware Of SBA
Reading, Media, Etc.	23	59	9	8	30
Personal Experience	29	37	17	18	34
Conversations with Others in Business	23	48	17	12	18
Experience of Friends	25	45	13	18	10
Other	24	33	15	27	4
Unsure	17	47	17	19	4

margin was more than 4-1. Those whose views were primarily formed by personal experience were least favorably disposed. This margin was somewhat less than 2-1, which though significantly less favorable than the media, still represented a healthy majority of small business owners interviewed. "Word of mouth" and the experiences of friends and acquaintances fell in between.

Contacts With SBA

A surprisingly large number (34%) of small business owners aware of SBA (32% of the population) had at one time or another contacted the Small Business Administration. Data were not collected noting the date of the most recent contact. However, it is curious that with the sole exception of that group of owners in business one year or less, the proportion with at least one contact proved reasonably constant across tenure of ownership. This would appear to indicate that the first contact is usually made in the first to second year of business ownership or not at all. Since the data evaluated are cross-sectional (static) rather than longitudinal (dynamic), changes which may have developed over time cannot be measured.

The topic of the most recent contact usually was loans and/or loan guarantees (65%) (see Table 8). The second most frequent topic was general information (19%). Relatively few contacts were made for other purposes.

Table 8

RESPONSE TO SBA CONTACT BY TOPIC OF CONTACT

		SBA RESPONSE TO CONTACT			
TOPIC	Topic of Most Recent Contact	Received Desired Asst.	Received Prompt Service	Received Courteous Service	Would Return
General Information	19	68	85	92	77
Loan/Loan Guarantee	65	39	68	86	57
Seminars, Counseling, Etc.	6				
Help on a Problem	2				
Procurement	3	68*	73*	89*	77*
Other	5				
Unsure	2				
Total	100%	49%	72%	88%	64%

* Total for "Seminars, Counseling, Etc.," "Help on a Problem," "Procurement," "Other," and "Unsure."

Forty-nine percent (49%) received the desired assistance; 47% did not; 3% weren't certain or couldn't remember. However, only 39% of those whose topic of contact was loans and/or loan guarantees received the desired assistance, in contrast to 68% who received the desired general information.* The small numbers contacting SBA on topics other than loans and general informaton required all other topical areas be lumped together for analytical purposes. Those who made a contact on any of the miscellaneous topics also received the desired assistance 68% of the time.

Much larger percentages reported they had received prompt (72%) and courteous (88%) service. Many of those reporting favorable treatment obviously did not receive the desired assistance. But the true test was that nearly two of three fared well enough in their contact to assert they would return to SBA under similar conditions (Table 8).

Contact with SBA isn't always a pleasant experience, however. Without attempting to assign blame to an unresponsive bureaucracy or unrealistic client demands, contact tended to polarize opinions. Supportive owners may have become more supportive; unsupportive owners may have become more unsupportive. "Unsure" owners may have slid one way or the other. But if there was one dimension which appeared to explain the polarizing effect of a contact, it was whether or not that contact resulted in the desired assistance. Review Table 9. Note that of those who received assistance, 76% held a favorable view of the agency. But of those who had not received the desired assistance, only 29% had a favorable view and 52% had an unfavorable view.

The group with at least one contact on balance retained a positive attitude toward the agency. However, contact reduced overall approval because overall approval was much higher among the population which has not had a contact than the population which has. Thus, contact proved negative to SBA in the relative, not in the absolute, sense.

The Proper Role of Government in Small Business Development

Government policy affects small business owners in a variety of ways. SBA's functions generally involve assistance to support small business development, contrasting to those of other agencies whose essential role is to limit the discretion of the small business owner. Thus, a list of "positive," or support, mechanisms was developed. (An exception for some firms might have been the question on the government's role in prohibiting price fixing.) Small

*Assuming each successful contact in the area of loans/loan guarantees resulted in a loan, a highly doubtful prospect, then a maximum of 8% at one time would have received one.

Table 9

OPINION OF SBA BY SBA CONTACT
AND RECEIPT OF DESIRED ASSISTANCE

	OPINION OF SBA				
SBA CONTACT	Very Favorable	Favorable	Unsure	Unfavorable	Very Unfavorable
With a Contact	21	32	16	14	17
Received Desired Asst.	32	44	13	7	4
Didn't Receive Desired Asst.	8	21	18	21	31

business owners interviewed were asked whether or not each item on the list was a proper function for government. While not all listed functions lay within SBA's jurisdiction or program activity, most did, and the remainder were of more than tangential interest.

Table 10 presents small business owner views on the propriety of each activity listed as a government function. Most frequent approval involved more traditional, "non-activist" type functions, e.g. provision of information, tax incentives, competitive bidding. Each of these was considered a legitimate government function by margins of 8 or 9-1.

Very close in approval ratings was a decidedly "non-traditional" function--the advocacy role. Over three-quarters of all small business owners interviewed (77%) believed it legitimate to have an entity within government with the power to make others "consider" small business problems and views in policy development. Such an entity does not necessarily have to be SBA, let alone SBA's Office of Advocacy which is currently supposed to perform that function. However, the evidence contained in this study clearly indicates small business owners saw SBA as "our man" in government and therefore should assume the advocacy function.

The prohibition against price fixing received approval by a surprisingly small two thirds majority. The smallest firms with greatest frequency felt this should not be a government function. In addition, the concept of priority being given to businesses in areas of high unemployment, known as the labor surplus area issue, was favored by 60% of those interviewed. While owners in the Northeast supported the idea with greatest frequency, those in every region thought it a sound concept (see Table 12).

The remainder of the functions evaluated by small business owners were all "socially activist," or so-called positive

Table 10

SMALL BUSINESS OWNER VIEWS ON THE DESIRABILITY OF GOVERNMENT PROVIDING SELECTED ACTIVITIES

ACTIVITY	GOVERNMENT SHOULD PROVIDE				
	Strongly Yes	Yes	Unsure	No	Strongly No
Information on Rules and Regulations	70	20	2	3	6
Buy All Goods/Services Through Competitive Bidding	71	15	4	4	6
Tax Incentives for Small Business Growth	64	19	4	4	8
A Small Business Advocate	57	20	8	6	10
Prohibit Price Fixing	53	11	6	9	21
"Labor Surplus Areas"	35	24	6	16	18
Low Cost Courses/Seminars	32	26	4	13	26
Procurement Set Asides	36	17	8	17	23
Loan Guarantees	29	22	9	13	27
Marketing and Management Assistance	29	22	4	12	33
Free Courses/Seminars	25	21	3	17	34
Direct Loans	25	18	7	16	34
Low Interest Loans to Socially Disadvantaged	17	20	11	14	37

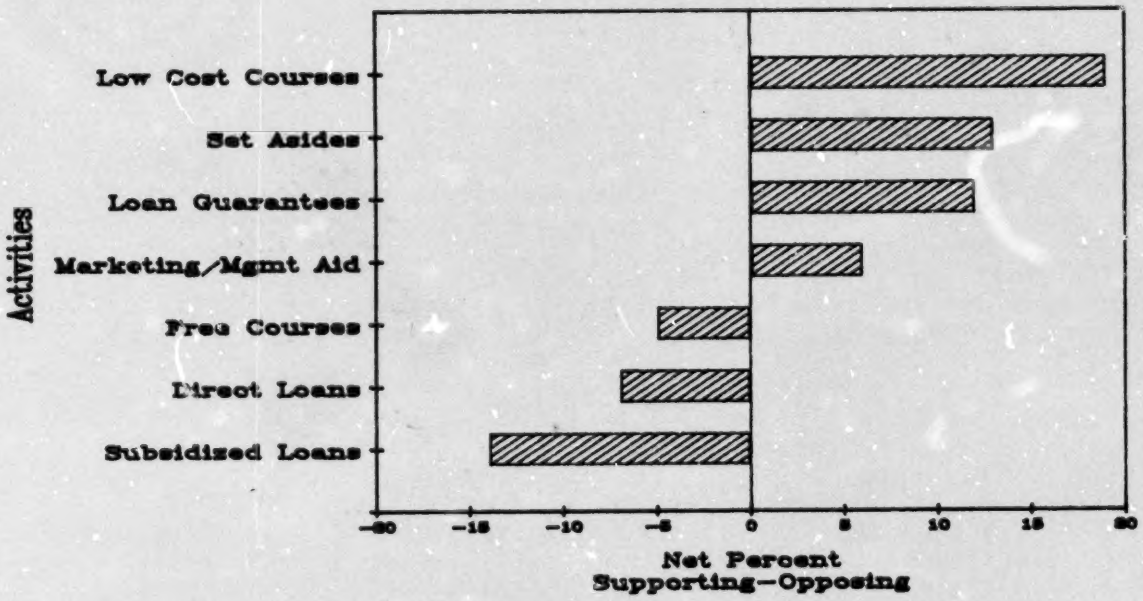
initiatives. Their rating ranged from 57% approval (low cost courses and seminars) to 37% approval (low interest loans to the disadvantaged). While the activist functions rested at the bottom of the small business owner approval list, two points need to be made in regard to them. First, these functions form the core of SBA activity. Functions with the greatest approval rating have the least to do with SBA and vice versa. Second, there was no overpowering "anti" sentiment. Indeed, one of the important results of this survey was the lack of consensus among small business owners over the legitimacy of several governmental activities involving small business (Chart 3).

One explanation for this division of opinion can be found on Table 11. Table 11 presents each of the "socially activist" functions and its net favorable-unfavorable evaluation by size of annual gross receipts. Observe that in all cases those small business owners with annual gross receipts of less than $100,000--the smallest of small businesses--as a group supported each of the listed functions as legitimate for government. For example, 23 percentage points more small business owners of firms with less than $100,000 in annual gross believed management and marketing assistance a proper governmental role than believed it wasn't. But as firm size

increased, owner approval of the function rapidly dissipated. The interesting phenomenon was that a similar pattern existed for every "socially activist" function evaluated. The change in approval rate between the smallest and largest size classifications proceeded at different paces, but each moved in the same direction. Owners of the smallest firms, those with fewer than $100,000 in annual gross, approved each function; owners of the largest firms, those with an annual gross of $5,000,000 and over, didn't approve of one.

Chart 3

NET PERCENT SUPPORTING/
OPPOSING SELECTED SMALL BUSINESS ASSISTANCE ACTIVITIES



A second important dimension appeared to be regionalism. Small business owners in the Northeast were consistently more supportive of government activism vis-a-vis small business than were small business owners in other parts of the country (Table 12). Usually, owners in the South contained the largest proportion opposing an activist posture, with the West not far behind.

Table 11

SMALL BUSINESS OWNER VIEWS
OF PROPER GOVERNMENT ACTIVITY BY FIRM SIZE

	ANNUAL GROSS RECEIPTS				
ACTIVITY	Under $100K	$100K-$499K	$500K-$999K	$1,000K-$4,999K	Over $5,000K
Management Assistance on Demand	23*	4	5	-11	-32
Low Cost Seminars, Etc.	38	18	19	3	-32
Free Seminars, Etc.	11	3	5	-24	-50
Loan Guarantee	19	9	5	10	-4
Direct Loans	15	-6	-16	-23	-62
Low Interest Loans to Disadvantaged	21	-14	-19	-36	-40
Set Asides	24	14	9	2	-13

* percent favoring government provision of the activity minus the percent opposing it

Table 12

SMALL BUSINESS OWNER VIEWS ON THE DESIRABILITY
OF GOVERNMENT PROVIDING SELECTED ACTIVITIES
BY REGION

	REGION			
ACTIVITY	North East	North Central	South	West
Information on Rules and Regulations	78*	84	78	80
Buy All Goods/Services through Competitive Bidding	85	70	66	68
Tax Incentives for Small Business Growth	66	69	55	57
A Small Business Advocate	32	40	27	27
Prohibit Price Fixing	38	27	25	17
"Labor Surplus Areas"	32	15	13	20
Low Cost Courses/Seminars	29	19	2	9
Loan Guarantees	12	1	5	10
Marketing and Management Assistance	15	13	8	8
Free Courses/Seminars	18	-1	-10	-15
Direct Loans	8	-7	-10	-11
Low Interest Loans to Socially Disadvantaged	4	-9	-28	-18

* net percent favoring the activity minus net percent opposing the activity

Most SBA resources are allocated to its finance programs. Those programs were also the ones which have created the lion's share of interest (Table 8) among small business owners. Yet, there was no overwhelming sentiment supporting such activity among small business owners interviewed. On a program by program basis, loan guarantees drew greatest approval. A bare majority, 51%, favored government loan guarantees, while 40% didn't favor them. Direct loans were even less popular, with 43% supporting and 50% opposing. The finance activity which fared worst was one no longer in existence - low interest loans to the socially disadvantaged. That concept could muster only 37% support, but the 51% with the opposite view hardly constituted a mandate to abolish.

Minorities, and to a lesser extent women, did not totally share the majority opinion on the latter program. Sixty percent (60%) of the minorities interviewed (N=59, 5% of the sample) favored it. Forty-five percent (45%) of the women approved.

The second largest program area at the Small Business Administration is management assistance. On balance, its programs fared better than those in finance, but not by much. Low-cost courses/seminars fared most favorably, with 58% support. Free courses/seminars fared least favorably, with 46% support. Curiously, the draft questionnaire for this survey contained only "free" courses/seminars, but during field testing so many interviews drew an unprompted distinction between "low-cost" and "free" that two questions eventually took the place of one. The 12 percentage point differential in approval explains the necessity for their separation and the importance many attached to a fee for services, albeit a modest fee.

Other management related activities, including such counseling activities as marketing and management assistance, fell between the two.

The delivery system for counseling small business owners undoubtedly has an impact on the effectiveness of any specific program. One important aspect of counseling is trust - whom do small business owners trust to provide them advice on operation of their business? Without trust, owners may not seek help when needed or refuse to implement recommendations provided. Owners interviewed were, therefore, asked to identify that person or group of people they most trust for business advice, should cost be no consideration. Results appear in Table 13.

Two clear choices emerged--retired business owners and private consultants. Together they accounted for over 60% of the first choices made and 49% of a second or backup selections. On the second tier came trade association personnel and employees of SBA, with college/university business administration teachers somewhat below.

Table 13

MOST TRUSTED SOURCES OF MANAGEMENT ADVICE

SOURCE OF ADVICE	FIRST CHOICE	SECOND CHOICE	TOTAL
College/University Business Administration Teacher	5	12	17
Private Management Consultant	37	20	57
Employee of SBA	10	13	23
Retired Business Owner	29	29	58
Trade Association Personnel	14	15	29
Other	3	3	6
None/Wouldn't Ask	2	6	8
Don't Know/No Answer	*	2	2
	100%	100%	---

* Less than 0.5%

SBA's Management Assistance section for the past several years has been attempting to structure the most efficient service delivery system possible. But if trust is any indication of the direction small business owners prefer the agency to take, it would appear SBA is proceeding in the wrong direction. Instead of pressing resources into the Small Business Development Center (SBDC) program, a university-based source of marketing and management assistance, resources should be focused on private management consultants. Additionally, S.C.O.R.E. (retired business owners) merits a priority. Clearly, trust isn't the only consideration. But is is very important and should weigh heavily in any decisions made, decisions which thus far have run counter to what small business owners have said.

The SBA Priority

Two questions were included in the survey to ascertain the degree of involvement in SBA issues small business owners felt proper for their representatives (lobbyists). One question was designed to elicit the absolute level of desired involvement; the other was designed to elicit the relative level of desired involvement. The two questions produced different results, as expected. People usually want more of something when their choices are more or less, but often prefer less when alternative choices are offered. However, results of the two questions produced sufficient agreement to advise small business representatives that time should be allocated to SBA issues.

Forty-two percent (42%) of small business owners interviewed indicated that small business lobbyists should always get involved in

SBA issues (Table 14). Another 22% felt small business lobbyists should be involved in most of them. Adding the two views, almost two thirds believed their lobbyists should assume an active role in SBA's affairs. Only 2% believed the agency should be largely ignored.

As might have been expected, the owners of smaller small businesses were more favorably disposed to an active posture (Table 14). It was the same group which earlier offered the greatest support for more activist small business programs. Forty-eight percent (48%) owning the smallest small businesses suggested small business lobbyists should "always" be involved, in contrast to only 23% of those owning the largest small businesses.

Table 14

DESIRED DEGREE OF SMALL BUSINESS LOBBY INVOLVEMENT IN SBA ISSUES BY FIRM SIZE

ANNUAL GROSS RECEIPTS

DEGREE OF INVOLVEMENT	Less than $100K	$100K-$499K	$500K-$999K	$1,000K-$4,999K	$5,000K- and over	All Owners Aware Of SBA
Always	47	45	44	35	23	42
Most Issues	24	21	21	23	15	22
Important Issues Only	19	23	21	34	32	24
Largely Ignore	2	2	2	2	15	2
Uncertain	8	9	12	6	15	10
	100%	100%	100%	100%	100%	100%

It seemed to make no difference whether a contact with SBA had been made or not. Those with a contact responded almost identically to those who had never had one. Nor was there any relationship between the desired degree of lobby involvement and view of the agency. Those with favorable and unfavorable impressions held similar views over the degree of involvement.

Of course, SBA issues do not develop in a vacuum. Other issues develop simultaneously. Prioritization, therefore, becomes essential for small business lobbyists. When asked to assign SBA issues a priority within a series of other issue areas also of interest to owners of smaller firms, the results presented on Table 14 were tempered noticeably. Table 15 summarizes responses to the small business owner prioritization of issue areas. In the prioritization, "improving SBA" ranks far behind "taxes" and "amount

of government spending" and slightly behind "finance and credit". But it falls ahead of such traditional small business interests as "regulatory policy" and "labor/employees," and far ahead of "anti-trust/competition." In other words, SBA issues ranked squarely in the middle of the seven issues polled.

Table 15

ISSUE AREAS WHERE SMALL BUSINESS LOBBYISTS SHOULD DEVOTE MOST TIME

ISSUE AREA	FIRST CHOICE	SECOND CHOICE	TOTAL
Finance/Credit	15	11	26
Improving SBA	13	10	23
Taxes	26	20	46
Labor/Employees	5	12	17
Regulatory Policy	10	11	21
Anti-Trust/Competition	5	4	9
Amount/Govt. Spending	20	17	37
Unsure	4	10	14
Don't Know/No Answer	2	5	7
	100%	100%	---

The relative position of SBA issues didn't vary by firm size, however. Both the smallest and the largest appeared to assign them similar priorities.

Conclusion

SBA is widely recognized and generally enjoys a favorable reputation among its constituency. However, its favorable reputation stems not from what the agency has done, but rather what it is perceived to be. The idea that SBA is "ours" seems to overwhelm the perceived lack of impact on individual business operations and the general lack of specific knowledge about the agency and its programs.

The result is that small business owners expect their representatives (lobbyists) to be interested in the agency and its programs, even if other items of interest occasionally lose in the prioritization process. But while small business owners desire involvement in SBA policy matters, they can establish no clear consensus over which policy(s) should be supported and which should be opposed. Only one program or function SBA currently administers has a legitimate claim to widespread support of small business owners. That function is advocacy. The two largest groups within SBA--Finance and Investment, and Management Assistance--cannot claim

it. Neither can that portion of Procurement Assistance devoted to "set-asides." At the same time, there exists no consensus to eliminate SBA programs. This, unfortunately, provides little direction to those wishing to assist small business.

The heterogeneity of the small business population is at least in part responsible for the inability to achieve consensus on the proper functions of government vis-a-vis small business. Important differences are noted on at least two demographic dimensions, size and region. But there are other factors as well. The success or failure in obtaining desired assistance seems to have some influence. The perception that SBA assistance is "not intended for people like me" also plays a role. Arguably that is the reason advocacy drew such broad support. It is a function that potentially benefits all.

If SBA were intent on heeding its small business constituency rather than its political constituency on the Hill and in the White House, survey results provide some important directions. The first is that SBA is small business's champion. That means advocacy is clearly the agency's principal function and the one that should command the greatest relative amount of attention and resources. It also raises the administratively delicate question of the respective roles of the Administrator, the Advocate, and the Administration. The second is that specialized programs with narrow participation bases should be consolidated into broader and wider participation programs. Clearly, the data have shown that as perceived eligibility narrows, so does agency support. While a strong case can be made for targeting resources, there is no evidence that small business opinion supports that position in the context of SBA. Finally, the principal benefit of the services provided is that the services are the political raison d'etre for the agency's existence. While there is no evidence services per se have a significant impact on the broader small business population, without some semblance of programs or services the agency probably cannot justify its existence. Hence, the primary objectives of SBA's small business and political constituencies appear interdependent.

The results of the study probably raise as many questions as they answer. Certainly, proponents and opponents of the agency each can find ample evidence in the data to support their respective positions. But the fact there is no overwhelming "small business view" of SBA and its programs after more than 30 years of agency existence may be the single most important piece of data to be debated.

APPENDIX+

Table 1

INDUSTRY BY YEARS IN BUSINESS

YEARS IN BUSINESS	INDUSTRY				
	Production	Distribution	Service	Other	Total
Less than 1	11/2	40/4	49/4	*/*	3%/37
1 - 2	11/5	33/8	52/10	4/11	8%/104
3 - 5	14/13	39/23	44/21	3/22	20%/249
6 - 10	20/22	32/22	45/26	3/25	24%/297
More than 10	29/58	33/42	36/38	2/36	44%/550
No Answer	8/*	31/1	46/1	15/6	1%/13
Total	21%/266	34%/429	42%/519	3%/36	100%/1250

* Less than 0.5%

Table 2

ETHNICITY BY ANNUAL GROSS RECEIPTS

ANNUAL GROSS RECEIPTS	ETHNICITY		
	White	Minority	Total
Under $100K	93/24	7/39	25%/310
$100K - $499K	96/38	4/32	37%/464
$500K - $999K	97/15	3/10	15%/188
$1,000K - $4,999K	97/14	3/9	14%/174
Over $5,000K	96/4	4/3	4%/48
No Answer	94/5	6/7	5%/66
Total	95%/1191	5%/59	100%/1250

+ Reading the tables--all numbers are in percentages except in the "Total" columns and rows where the number right of the slash is the absolute number of cases (n). In all other columns and rows, the number left of the slash is the column percentage and the number right of the slash is the row percentage.

Table 3

SEX BY REGION

GEOGRAPHIC REGION	SEX		
	Male	Female	Total
Northeast	85/16	15/16	16%/200
North Central	89/30	11/21	29%/358
South	86/31	14/30	31%/386
West	80/23	20/33	24%/306
Total	85%/1063	15%/187	100%/1250

Exhibit 1

SURVEY QUESTIONNAIRE
(less interviewer instructions and
respondent demographics)

1. Have you ever heard of an agency of the government called the Small Business Administration?	Yes	--93%
	No	-- 7%
2. Is your general opinion of the Small Business Administration favorable or unfavorable?	Favorable/strongly	--18%
	Favorable	--34%
	Unsure	--26%
	Unfavorable	--10%
And do you feel strongly about that?	Unfavorable/strongly	--10%

3. On what do you base your opinion of the Small Business Administration?

1) Reading newspapers, magazines, or other media	--30%
2) Personal experience with the Small Business Administration	--34%
3) Conversation with other people	--18%
4) Experiences of friends and acquaintances	--10%
5) Other	-- 4%
6) Unsure	-- 4%

4. Where do you think the Small Business Administration has its greatest strengths?

1) Integrity and impartiality	-- 6%
2) Efficient delivery of services	-- 3%
3) Concern for small business people	--29%
4) Provide useful business services	--22%
5) None	--12%
6) Unsure	--27%

5. Where do you think the Small Business Administration has its greatest weaknesses?

1) Integrity and impartiality	--14%
2) Efficient delivery of services	--24%
3) Concern for small business people	--14%
4) Provide useful business services	-- 9%
5) None	-- 6%
6) Unsure	--34%

6. For whom do you believe the Small Business Administration is supposed to provide services?

1) Small business owners in financial trouble	-- 6%
2) Minority and women small business owners	-- 2%
3) Small business owners in general	--74%
4) Owners of new and very small businesses	--11%
5) Other	-- 2%
6) Unsure	-- 5%

7. For whom do you believe the Small Business Administration actually provides services?

1) Small business owners in financial trouble	--10%
2) Minority and women small business owners	--25%
3) Small business owners in general	--29%
4) Owners of new and very small businesses	-- 7%
5) Other	-- 6%
6) Unsure	--22%

8. How familiar are you with the Small Business Administration and its programs?	Very familiar	-- 6%
	Somewhat familiar	--43%
	Not too familiar	--37%
	Not at all familiar	--14%
	Unsure	-- --
9. To the best of your knowledge, how has the Small Business Administration affected your business--positively, negatively, or has there been no change?	Very positive	-- 7%
	Slightly positive	--13%
	Neutral	-- 3%
	No effect	--70%
	Slightly negative	-- 4%
And was the effect very (positive/ negative) or only slightly (positive/ negative)?	Very negative	-- 3%

Now let's talk about actual experience with the Small Business Administration

10. Have you ever contacted the Small Business Administration?	Yes	--34%
	No	--66%

11. What was the topic of your most recent contact with the Small Business Administration?

1) General information	--19%
2) Loan or loan guarantee	--65%
3) A management seminar, course or counseling	-- 6%
4) Help on a specific problem with a government agency	-- 2%
5) Selling to the government	-- 3%
6) Or for some other reason	-- 5%
7) Unsure	-- 2%

12. And did you receive the desired assistance from the Small Business Administration?	Yes	--49%
	No	--47%
	Don't know/no answer	-- 3%
13. Aside from whether or not you received the desired assistance, was your request handled promptly?	Yes	--72%
	No	--23%
	Don't know/no answer	-- 6%
14. Was your request handled courteously?	Yes	--88%
	No	-- 8%
	Don't know/no answer	-- 5%
15. Would you contact the Small Business Administration again if a similar situation arose?	Yes/strongly	--43%
	Yes	--21%
	Unsure	-- 4%
	No	-- 6%
And do you feel strongly about that?	No/strongly	--26%

Now I am going to ask you some questions about the interaction of government and business. Please give me your opinion by answering "yes" or "no" to each question.

16. Should government provide marketing and management assistance to small business owners upon request?	Yes/strongly	--29%
	Yes	--22%
	Unsure	-- 4%
	No	--12%
And do you feel strongly about that?	No/strongly	--33%
17. Should government prohibit price fixing and similar activities by businesses of any size?	Yes/strongly	--53%
	Yes	--11%
	Unsure	-- 6%
	No	-- 9%
And do you feel strongly about that?	No/strongly	--21%

18. Should government provide low interest business loans to socially disadvantaged individuals?	Yes/strongly	--17%
	Yes	--20%
	Unsure	--11%
	No	--14%
And do you feel strongly about that?	No/strongly	--37%
19. Should government provide tax incentives for small business investments and small business employment growth?	Yes/strongly	--64%
	Yes	--19%
	Unsure	-- 4%
	No	-- 4%
And do you feel strongly about that?	No/strongly	-- 8%
20. Should government provide loan guarantees on loans made to small businesses?	Yes/strongly	--29%
	Yes	--22%
	Unsure	-- 9%
And do you feel strongly about that?	No	--13%
	No/strongly	--27%
21. Should government provide information upon request about the rules and regulations small businesses must follow?	Yes/strongly	--70%
	Yes	--20%
	Unsure	-- 2%
	No	-- 3%
And do you feel strongly about that?	No/strongly	-- 6%
22. Should government set aside a certain portion of its planned purchases to be bid on only by small businesses?	Yes/strongly	--36%
	Yes	--17%
	Unsure	-- 8%
	No	--17%
And do you feel strongly about that?	No/strongly	--23%
23. Should government provide free courses and seminars on starting new businesses?	Yes/strongly	--25%
	Yes	--21%
	Unsure	-- 3%
And do you feel strongly about that?	No	--17%
	No/strongly	--34%
24. Should government make loans directly to small businesses?	Yes/strongly	--25%
	Yes	--18%
	Unsure	-- 7%
And do you feel strongly about that?	No	--16%
	No/strongly	--34%

25. Should government buy all its goods and services through competitive bidding?	Yes/strongly	--71%
	Yes	--15%
	Unsure	-- 4%
	No	-- 4%
And do you feel strongly about that?	No/strongly	-- 6%
26. Should government have a strong small business advocate who forces other agencies to consider small business problems when developing policies?	Yes/strongly	--57%
	Yes	--20%
	Unsure	-- 8%
	No	-- 6%
	No/strongly	--10%
And do you feel strongly about that?		
27. When the Small Business Administration provides assistance, should priority be given to owners of small businesses located in areas of high unemployment?	Yes/strongly	--35%
	Yes	--24%
	Unsure	-- 6%
	No	--16%
	No/strongly	--18%
And do you feel strongly about that?		
28. Should government provide low cost courses and seminars on starting new businesses?	Yes/strongly	--32%
	Yes	--26%
	Unsure	-- 4%
	No	--13%
And do you feel strongly about that?	No/strongly	--26%

29. and 30. If you were to seek help with a marketing or management problem, regardless of cost, who would you trust to give you the best advice? And who would be your second choice?

	First Choice	Second Choice
1) College or university business administration teacher	5%	12%
2) Private management consultant, accountant, etc.	37%	20%
3) Employee of the Small Business Administration specializing in management	10%	13%
4) Retired business owner or executive	29%	29%
5) Trade association personnel	14%	15%
6) Other	3%	3%
7) None -- Wouldn't ask help	2%	6%
8) Don't know/no answer	1%	3%

Now consider for a moment the activities of small business lobbyists in Washington.

31. How should small business lobbyists spend their time on issues involving the Small Business Administration? Should the lobbyists--

1) Always get involved in Small Business Administration issues	42%
2) Get involved in most Small Business Administration issues	22%
3) Only get involved in very important Small Business Administration issues	24%
4) Largely ignore Small Business Administration issues	2%
5) Unsure	10%

32. and 33 In which of the following issue areas would you like to see small business lobbyists place their greatest efforts? And which would be your second choice?

	First Choice	Second Choice
1) Finance and credit	15%	11%
2) Improving the Small Business Administration	13%	10%
3) Taxes	26%	20%
4) Labor and employees	5%	12%
5) Regulatory policy	10%	11%
6) Anti-trust and competition	5%	4%
7) Amount of government spending	20%	17%
8) Unsure	5%	10%
9) Don't know/no answer	3%	4%

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